

Message Text

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ORIGIN EB-07

INFO OCT-01 ARA-06 EUR-12 EA-07 NEA-10 IO-13 ISO-00 SIG-01

AGR-05 CIAE-00 COME-00 INR-07 LAB-04 NSAE-00 SP-02

STR-04 TRSE-00 CIEP-01 FRB-03 OMB-01 L-03 AGRE-00

SS-15 NSC-05 /107 R

DRAFTED BY EB/FTD:WRBREW:CSH

APPROVED BY EB/FTD:CANGEVINE

LABOR:IKRAMER

COMMERCE:AGAREL

STR:MBSMITH

EUR/RPE:RBRESLER

EA/J:DSMITH

----- 006379

R 251526Z SEP 76

FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS

AMEMBASSY TOKYO

INFO AMEMBASSY BRUSSELS

AMEMBASSY PARIS

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY BANGKOK

AMEMBASSY BONN

AMEMBASSY OSLO

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

USMISSION GENEVA

AMCONSUL HONG KONG

AMEMBASSY ISLAMABAD

AMEMBASSY LUXEMBOURG

AMEMBASSY MANILA

AMEMBASSY THE HAGUE

AMEMBASSY STOCKHOLM

AMEMBASSY HELSINKI

AMEMBASSY SEOUL

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AMEMBASSY NEW DELHI

AMCONSUL KARACHI
AMEMBASSY SINGAPORE
AMEMBASSY MEXICO
AMEMBASSY BRASILIA
AMEMBASSY BOGOTA

C O N F I D E N T I A L STATE 239215

E.O. 11652: GDS

TAGS: ETRD, EEC, JA

SUBJECT: US - JAPAN - EC TRILATERAL TEXTILE CONSULTATIONS

GENEVA FOR PHELAN

1. SUMMARY - MEETINGS BETWEEN JAPANESE, EC AND US TEXTILE DELEGATIONS IN WASHINGTON SEPTEMBER 9 AND 10 WERE DEVOTED ALMOST EXCLUSIVELY TO EXCHANGE OF VIEWS ON RENEWAL OF MULTIFIBER ARRANGEMENT (MFA). US REITERATED POSITION FAVORING PROMPT RENEWAL OF MFA WITHOUT SIGNIFICANT CHANGE. EC COMMISSION STATED IT IS UNDER GREAT INDUSTRY PRESSURE TO SEEK STRONGLY PROTECTIONIST CHANGES IN MFA, WHICH IF PRESENTED AT NOVEMBER 30 TEXTILES COMMITTEE MEETING WOULD PROBABLY LEAD TO MAJOR IMPORTER-EXPORTER DISAGREEMENT; THEREFORE, EC STAFF WILL NOT SEEK AN AGREED EC POSITION ON RENEWAL OR REVISION PRIOR TO THE NOV. 30 TC MEETING. BECAUSE OF UNCERTAINTY IN JAPANESE TEXTILE INDUSTRY AND RECENTLY INSTITUTED STUDY OF PRESENT SITUATION OF DOMESTIC TEXTILE INDUSTRY, JAPANESE GOVERNMENT HAS NOT YET FORMULATED A POSITION ON MFA RENEWAL, BUT PLANS TO DO SO BEFORE NOV. 30.

2. US DELEGATION CHAIRMAN SMITH (STR) OPENED MEETINGS BY REVIEWING RESULTS OF RECENT TALKS CONCERNING MFA RENEWAL WITH TEXTILE OFFICIALS OF KOREA, PHILIPPINES, THAILAND, INDIA, PAKISTAN AND HONG KONG. HE STATED THAT US POSITION CONTINUED TO BE THAT MFA SHOULD BE RENEWED WITHOUT SIGNIFICANT CHANGE, PREFERABLY DURING NOVEMBER/DECEMBER TEXTILE COMMITTEE MEETING.
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3. MEYNELL (DIRECTOR, EC DIRECTORATE-GENERAL FOR EXTERNAL AFFAIRS) REPORTED THAT INDUSTRY AND LABOR IN THE EC (PARTICULARLY IN UK) WERE EXERTING STRONG PRESSURE TO LIMIT AND EVEN REDUCE IMPORT RESTRAINT BASE AND GROWTH RATES. SCANDINAVIAN COUNTRIES SHARED THIS PROBLEM. IF EC WERE TO ADOPT NEGOTIATING POSITION NOW, IT WOULD UNDOUBTEDLY REFLECT THIS PRESSURE; ACCORDINGLY, EC

STAFF DID NOT INTEND TO SEEK POSITION BEFORE, OR MAKE PROPOSALS AT, NOVEMBER 30 TC MEETING. AFTER DEMANDS OF EXPORTING COUNTRIES WERE KNOWN, THE EC WOULD BE ABLE TO FORMULATE AND PURSUE A REALISTIC POSITION. THIS WAS, MEYNELL BELIEVED, THE MOST CONSTRUCTIVE COURSE WHICH THE EC COULD FOLLOW;

4. IF AND WHEN PROPOSALS FOR CHANGES IN MFA WERE ULTIMATELY PUT FORWARD BY EC, MEYNELL BELIEVED THEY WOULD FALL INTO THREE CATEGORIES:

(A) TREATMENT OF NEW ENTRANTS. ANY ACTION WOULD HAVE TO BE BY BILATERAL AGREEMENT UNDER MFA ARTICLE IV OR EQUIVALENT; BREAKTHROUGH WAS UNLIKELY IN THIS AREA, WHERE CUMULATIVE CONCEPT WAS OF GREAT IMPORTANCE TO EC.

(B) REDUCTION OF PERMISSIBLE RESTRAINT LEVELS BELOW THOSE IN MFA ANNEX B. SUCH PROPOSALS WOULD SUPPORT THE "MINIMUM VIABLE PRODUCTION" CONCEPT PROPOSED BY NORDICS;

(C) EXPLICIT AUTHORITY TO REDUCE GROWTH RATES PERMITTED EXPORTERS TO LESS THAN 6 PERCENT.

ANOTHER PROBLEM FACED BY THE EC WAS THAT OF EXTENSIVE IMPORTS OF HANDLOOM PRODUCTS FROM INDIA; EC COMMISSION WAS UNDER SOME DOMESTIC PRESSURE FROM FRANCE AND UK TO NUMERICALLY LIMIT IMPORTS OF THESE PRODUCTS, AS US HAD DONE IN THE CASE OF APPAREL OF HANDLOOM FABRIC SEWN BY MACHINE.

5. IN RESPONSE TO US EXPRESSION OF DISMAY AT LACK OF EC SUPPORT FOR PROMPT RENEWAL OF MFA, MEYNELL EXPRESSED STRONG DOUBT THAT US WOULD BE ABLE TO OBTAIN RENEWAL DURING NOVEMBER 30 TC MEETING; IF, HOWEVER, IT WERE TO APPEAR THAT US WAS GOING TO BE SUCCESSFUL, HE BELIEVED CONFIDENTIAL

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HE COULD MAKE GOOD CASE TO COMMISSION FOR VERY PROMPT SUPPORT FOR US POSITION. IN ANY CASE, EC APPROACH HE HAD OUTLINED WAS, OF ALL ALTERNATIVES PRACTICALLY AVAILABLE, LEAST HARMFUL TO US EFFORTS.

6. JAPANESE DEL CHAIRMAN TAKAHASHI (COUNSELOR OF CONSUMER GOODS BUREAU, MITI) REPORTED THAT JAPANESE TEXTILE INDUSTRY WAS DIVIDED AND THAT GOJ HAD DEVELOPED NO OFFICIAL POSITION DESPITE THE HOLDING OF SOME INTER-AGENCY MEETINGS. JAPAN DID INTEND TO HAVE A POSITION BEFORE NOVEMBER 30 TC MEETING. CONCLUSIONS OF A MITI CONSULTATIVE COMMITTEE NOW STUDYING STRUCTURE OF THE TEXTILE INDUSTRY WOULD BE IMPORTANT FACTOR, AS WOULD BE JAPANESE WISH TO AVOID CONFRONTATION BETWEEN DEVELOPING AND DEVELOPED COUNTRIES.

7. BOTH EC AND JAPANESE DELS INDICATED INTEREST IN US POSITION ON TEXTILE TARIFF CUTS. MEYNELL AGREED WITH US STATEMENT THAT THIS TOPIC BEST HANDLED IN MTN AND KEPT FAR FROM MFA TALKS AS POSSIBLE.

8. US ACKNOWLEDGED CHANCES OF MFA RENEWAL DURING NOVEMBER 30 TC MEETING MIGHT BE SLIGHT, BUT HOPED FOR FAR STRONGER SUPPORT FROM IMPORTING COUNTRIES SUCH AS EC AND GOJ. INDUSTRIALIZED COUNTRIES SHOULD WORK TOGETHER TO ENSURE THAT NOVEMBER 30 TC MEETING, EVEN IF IT DOES NOT RENEW MFA, WILL PROVIDE FOUNDATION FOR RENEWAL EARLY IN 1977, I.E., THAT NOV/DEC MEETING SHOULD BE ONE SERIOUSLY DEVOTED TO ADDRESSING ARTICLE 10/4 AND 10/5 QUESTIONS AND NOT A CHARADE. FURTHERMORE, IMPORTING COUNTRIES SHOULD NOT RPT NOT SHOW ANY WEAKNESS IN THEIR RESOLVE TO SEE MFARENEWALQUESTION HANDLED PROMPTLY NOR SHOULD THEY PERMIT ATTEMPTS TO LINK THE MTN WITH THE MFA.

9. PARTIES AGREED MEET AGAIN BEFORE THE NOVEMBER 30 TC, PROBABLY DURING THE WEEK OF NOVEMBER 15 IN BRUSSELS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TEXTILES, TRADE, MEETINGS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 25 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE239215
Document Source: CORE
Document Unique ID: 00
Drafter: WRBREW:CSH
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760363-0971
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760919/aaaaapzm.tel
Line Count: 191
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 01 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 APR 2004 by BoyleJA>; APPROVED <11 AUG 2004 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: US - JAPAN - EC TRILATERAL TEXTILE CONSULTATIONS GENEVA FOR PHELAN
TAGS: ETRD, JA, US, EEC
To: EC BRUSSELS TOKYO
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006